You should consider carefully all of the information set forth in this Prospectus and, in particular, should evaluate the following risks in connection with an investment in the Offer Shares before making an investment. You should pay particular attention to the fact that most of our business is conducted in the PRC, the legal and regulatory environment of which differs from that which prevails in other countries. Any of the risks and uncertainties described below could have a material and adverse effect on our business expansion, results of operations, financial condition or the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations and this Global Offering. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our brand image is an important asset to our business and any failure to effectively promote or maintain our brand image may have a material and adverse effect on our business, financial condition and results of operations.

We design, produce, distribute and sell bedding products under our proprietary Casablanca and Casa Calvin brands. During the Track Record Period, sales of Casablanca and Casa Calvin brand products were approximately HK$236.8 million, HK$272.4 million, HK$366.0 million and HK$168.5 million, representing approximately 88.8%, 83.8%, 85.1% and 81.5% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. Our ability to maintain our brand image, including the cultivation of market perception, acceptance of our distinctive designs and brand concepts, and maintaining the quality of our products, is a significant factor in the success of our business. Our failure to maintain and successfully promote our brand image may have a material adverse effect on the market perception and consumer acceptance of our Casablanca and Casa Calvin brand products. In addition, any negative publicity regarding our brands and image could also have a negative effect on our sales and results of operations. We cannot assure you that we will be able to effectively promote and maintain our brand image, and any failure to do so may harm our brand image and may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to renew all of our existing leases or concession agreements for our points of sale when they expire, or if they are terminated, on terms acceptable to us.

We enter into leases and concession agreements in order to obtain retail space for our self-operated points of sale. Generally, the terms of our leases and concession agreements range from six months to five years. We typically negotiate with the department stores and home furnishing mall operators commencing two months prior to the expiration of the leases and concession agreements. We cannot assure you that we will be able to renew the leases or concession agreements on favourable or otherwise acceptable terms and conditions, in particular, those regarding concession fees and rent. If existing leases or concession agreements cannot be renewed, we will have to find alternative premises that may not be located in areas that offer similar business environments. In addition, failure to renew such retail spaces will provide an opportunity for competitors to move into such retail spaces previously occupied by us. Accordingly, failure to secure such retail spaces for our self-operated points of sale on terms that are acceptable to us may materially and adversely affect our business, financial condition and results of operations.

We may not be able to find suitable locations for new points of sale on commercially acceptable terms, if at all.

Our ability to expand our network of self-operated points of sale, particularly our ability to identify suitable locations for new points of sale in prime retail areas, is critical to the development of our sales and distribution network. We cannot assure you that current prime retail areas will remain unchanged or will continue to be prime retail areas for our target customers. Moreover, supply of prime retail locations can be scarce and consequently the competition to secure these locations can be intense. As a result, we may not be able to identify and lease or acquire suitable locations for our new points of sale.

In the past few years, the overall cost of securing prime locations in Hong Kong and the PRC through leasing or acquisition arrangements has increased significantly, particularly for prime retail locations, and we expect such cost will increase further in the near future. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our business and expansion strategy. We cannot assure you that we will able to lease or acquire suitable locations on terms commercially acceptable to us, or at all. If we encounter difficulties in securing suitable sites for points of sale, our business, financial condition and results of operations may be materially and adversely affected.

We rely on our distributors for our operations and our ability to renew contracts as well as negotiate favourable terms with our distributors will have a material impact on our success in maintaining favourable relationships with them.

We consider our distributors to be an important part of our sales network. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our sales to distributors were HK$30.4 million, HK$31.4 million, HK$43.0 million and HK$35.9 million, representing approximately 11.4%, 9.7%, 10.0% and 17.4%, respectively, of our total revenue. As at 30 June 2012, we worked with 63 distributors in the PRC and Macau. As we will continue to rely on our distributors as well as their established sales network for a portion of our sales revenue, our growth plan, particularly in the PRC, is dependent on the expansion of our distributor network, their sales performance and their ability to expand and increase their points of sale. Our ability to negotiate favourable terms with our distributors will have a material impact on our success in developing relationships with them.

As the contract term with our distributors is typically one year in duration, we cannot assure you that we will experience long-term stability with respect to our distributors. Moreover, a replacement distributor may not be able to manage a sales network as effectively or on the same scale as our original distributor.

We rely on contractual obligations set forth in our distributorship agreements to implement our suggested retail sales prices in our distributor-operated points of sale. As we do not own or directly manage our distributors, we may not be able to exercise adequate controls over the suggested retail sales prices for our products and the inventory levels of our distributors. We generally require our distributors to submit sales and inventory reports on a monthly basis. However, we rely on the cooperation of our distributors to accurately and timely report and submit the relevant data to us, and we cannot ensure the accuracy of the data collected from our distributors. As a result, we may not be able to immediately monitor the suggested retail sales prices of products sold by our distributors and inventory levels at the distributor-operated points of sale, or identify or prevent any excessive inventory build-up at the distributor-operated points of sale. In addition, we cannot assure you that our sales data based on information provided by our distributors correlate directly to the sales of our products to the end customers. We understand that many of the actions of our distributors are beyond our control, including their development plans, financial management in their operations, the non-renewal of necessary operating licences and their participation in non-compliant behaviour or business practices. Such actions by our distributors may result in a decrease in our revenue, an erosion of goodwill with respect to our brands, a decrease in the market value of our brands and an unfavourable public perception about the quality of our products, which could have a material and adverse effect on our business, financial condition and results of operations. Although we may replace any distributor that fails to comply with our retail policies, we cannot assure you that we will be able to find replacements in a timely manner, or at all.

Our failure to commence operation of our Huizhou Production Facility on time would have a material and adverse effect on our business, financial condition and results of operations.

Our future success depends, to a large extent, on the productivity of the new production facility in Huizhou. Construction of our Huizhou Production Facility takes place in two phases. We expect the construction of phase I to be completed by the second half of 2012 and to commence operation in the first quarter of 2013. Depending on market demand, we will commence construction of phase II when the capacity of phase I appears to be fully utilised. If we are unable to commence operation of our new production facility by the first quarter of 2013, we will not be able to attain the desired level of economies of scale in our operations or cut the marginal production cost to the level necessary to effectively maintain our pricing and other competitive advantages. Our new production facility has required substantial capital expenditures, significant engineering efforts and dedicated attention from our management team, and is subject to significant risks and uncertainties, including:

- we will be required to obtain governmental approvals, permits or documents of a similar nature for our Huizhou Production Facility, and it is uncertain whether such approvals, permits or documents will be obtained on time or at all;

- we may experience cost overruns, equipment problems and other operating difficulties;

- we may experience delays in the completion of construction of phase I, which would in turn impact the timing of our commencing construction of phase II;

- phase I or phase II construction delays could result in our reliance on designated external manufacturers for the manufacture of our products; and

- we are using new equipment to lower the unit capital and operating costs, but such effort may not be successful.

Furthermore, we may require additional funding to develop our new Huizhou Production Facility in order to implement our business strategies. If internally generated cash resources and available bank facilities are insufficient to finance our expansion plans, we may be required to seek funding from third parties. In the event that we are unable to obtain adequate financing on acceptable terms, or at all, to satisfy our operation, development and expansion plans, our business, financial condition and results of operations may be materially and adversely affected.

Any of the above or similar difficulties could significantly delay or otherwise constrain our ability to undertake our capacity expansion as currently planned, which in turn would limit our ability to increase sales, reduce marginal manufacturing costs or otherwise improve our prospects and profitability.

We may not be able to renew our licensed and authorised agreements on commercially reasonable terms.

We have entered into licensing agreements to manufacture or distribute bedding products under certain international brands such as Elle Deco and Centa-Star. We have also entered into certain agreements to use certain popular cartoon characters on our products. During the Track Record Period, sales of our licensed and authorised brand products were approximately HK$29.0 million, HK$52.1 million, HK$62.0 million and HK$36.0 million, representing approximately 10.9%, 16.0%, 14.4% and 17.4% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Our ability to maintain our licensed and authorised brands depends on whether we can meet all of the terms and conditions of the relevant agreements. Our obligations under these agreements include the payment of royalties, adherence to certain labour standards, the production of goods that comply with certain quality standards and mandatory marketing obligations. During the Track Record Period and up to the Latest Practicable Date, we have fully complied with the terms of those agreements in all material respects and are not aware of any material breaches in relation to those agreements. In addition, some of our licensing and authorised agreements provide us with exclusive distribution rights within certain regions. If the licensors are not satisfied with the performance of our obligations under these agreements, our licensing and authorised reseller agreements may be terminated. Moreover, regardless of our compliance with the contracted obligations, the licensors may revise or renew agreements with terms that may not be favourable to us. Any termination or change to our licensing and authorised resale agreements that is not in our best interests may have a material and adverse effect on our business, financial condition and results of operations.

We are subject to inventory risk.

The balance of our inventory as at 31 December 2009, 2010 and 2011 and 30 June 2012 accounted for approximately 24.3%, 35.3%, 29.9% and 33.1%, respectively, of our total current assets. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we had inventory in the amount of HK$33.3 million, HK$69.5 million, HK$80.9 million and HK$70.1 million, respectively. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our inventory turnover days were 104.2 days, 147.9 days, 155.5 days and 171.5 days, respectively.

We operate in an industry that is subject to constantly shifting market trends, and any sudden decrease in the market demand for our products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate and may adversely affect our financial condition and results of operations. We conduct an aging analysis of inventories at the end of each reporting period, and make an allowance for slow-moving inventory items based on the current market conditions and the historical experience of selling merchandise of similar nature. If our inventories are identified as obsolete, in order to reduce the level of these aged inventories, we may sell the excess out-of-season inventory through our self-operated points of sale at a discount through promotional sales. In such event, our business, financial condition and results of operations will be materially and adversely affected.

We depend on our major suppliers to provide a stable and adequate supply of quality raw materials on a timely basis, and any interruption or shortage in our supply of raw materials could materially and adversely affect our production and operation.

Our raw materials suppliers are critical to our success. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, purchases from our five largest raw materials suppliers accounted for 46.8%, 52.9%, 49.0% and 46.0%, respectively, of our total purchases. If any of our suppliers or external manufacturers experience interruptions as a result of labour shortages or strikes, inclement weather conditions, production difficulties such as unscheduled maintenance on manufacturing machinery or transportation delays, we may not receive our supplies or finished goods in a timely manner or at all. For example, as all of our raw materials are sourced from the PRC, our suppliers have experienced an overall increase in labour costs, partly due to changing labour patterns in the PRC and the implementation of various employment rules and regulations. In particular, the PRC Employment Contract Law, which has been effective since January 2008, established a set of stringent requirements for employers relating to, among other things, dismissal of employees, severance payments and annual leave. Moreover, if we do not accurately forecast our supply needs, some of our major suppliers may not have the quantity of supplies we require to meet our immediate needs, or we may be required to pay higher costs to fulfill those needs.

Further, we might not be able to source raw materials from our raw materials suppliers if they encounter a significant shortage of raw materials. For example, if a natural disaster rendered our cotton fabrics producers unable to source raw cotton at a reasonable price, any increase in cotton prices may be passed on to us. Consequently, we cannot assure you that our suppliers will always be able to provide us with raw materials at reasonable prices.

In addition, if we experience interruption or shortage in our raw materials supplies, we may not be able to promptly locate alternative sources in sufficient quantities, of suitable quality, on commercially reasonable terms or at all. Any inability to acquire supplies could reduce our production capacity, harm product quality, damage relations with customers, increase expenses, result in foregone revenues or otherwise harm our business, financial condition or results of operations.

We are susceptible to fluctuations in the cost of raw materials which may materially and adversely affect our business, financial condition and results of operations.

We have not entered into any long-term agreements with any of our current raw materials suppliers, nor have we entered into any hedging arrangements or transactions to reduce our exposure to fluctuations in raw materials costs. If we experience an interruption, reduction or termination in the supply of raw materials from our suppliers, or an increase in the cost of raw materials due to fluctuations in the price of cotton or cotton fabrics, we may not be able to obtain the supply of raw materials needed for the production of our products, and our operations could be materially and adversely affected.

We rely on our external manufacturers for the production of some of our products and any material disruption to the supply of products from our external manufacturers would materially and adversely affect our business, financial condition and results of operations.

We generally outsource a small portion of our bedding products, as well as our home accessories, to our external manufacturers. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, products produced by our top five external manufacturers amounted to HK$17.7 million, HK$22.8 million, HK$27.7 million and HK$7.8 million, respectively, representing approximately 16.3%, 15.3%, 16.3% and 12.4% of our total purchases. We cannot ensure that we will not face material disruptions to the supply of products from our external manufacturers in the future. For example, our external manufacturers may be significantly affected by changes to national and local government regulations. Any change to the relevant government regulations or policies in areas such as environmental protection, tax treatment, labour safety or labour costs may adversely affect the business operations of our suppliers and external manufacturers, which may, in turn, adversely affect their ability to provide us with finished goods in a timely manner or at reasonable prices. In the event of such disruptions, we may not be able to find suitable alternative external manufacturers on a timely basis, or offset such disruptions by increasing production at our own production facilities. Any material disruption in the supply of products from our external manufacturers may materially and adversely affect our business, financial condition and results of operations.

Any discontinuation or delay in the production and delivery of our outsourced finished goods will have a material adverse effect on our operating costs, profitability, financial condition and business operations.

Our failure to fully comply with PRC property regulations may render the properties occupied or leased by us subject to irregularities.

Some of the properties occupied or leased by us in the PRC are subject to irregularities. These irregularities include: (i) properties leased by us for which we have not been provided with the relevant building ownership certificates; (ii) non-registration of lease agreements for certain properties that we lease; (iii) pending fire safety inspection and acceptance certificates for our Shenzhen Production Facility; and (iv) non-compliant use of premises in Beijing.

A detailed description of each irregularity, including the specific incidence of non-compliance under PRC law, the legal consequences for such non-compliance and the rectification measures we have taken or to be taken, can be found in the section headed "Business – Property Interests" in this Prospectus.

Due to the above irregularities, we may be required to vacate the relevant properties or suspend our operations in such premises. We do not expect there to be damages other than relocation expenses.

Our failure or inability to obtain, retain and renew required permits, licences, registrations and certificates for our business operations may materially and adversely affect our business, financial condition and results of operations.

Although there are no special licensing requirements for the home textile industry in the PRC, according to our PRC legal advisor Grandall Law Firm (Shenzhen), our operations still require certain general licences, permits and, in some cases, renewals of these licences and permits, from various governmental authorities in the PRC. For example, we need to obtain a business licence and approval from the competent examination and approval authority in charge of commerce. Our ability to obtain, maintain, or renew such licences and permits on acceptable terms is subject to the changing regulations and policies of the relevant governmental authorities. In addition, prior to commencing production activities at our new Huizhou Production Facility, we must obtain waste discharge permits as well as undergo inspection and obtain approval from relevant environmental protection authorities, which are required by the PRC environmental protection related laws as well as the local laws and regulations of Guangdong province. We cannot assure you that we will be successful in obtaining the required approvals, licences and permits. Failure to do so may subject us to monetary fines or other penalties, including possible suspension of our operations.

Any failure or difficulty in obtaining any required approvals, licences and permits may adversely affect our business, financial condition and results of operations. In addition, we cannot assure you that the relevant regulatory authorities in the Greater China Region will not adopt stricter standards (such as environmental requirements) in handling any required approvals, licences and permits in the future or that we will be able to meet such standards in a timely manner or at all.

We have historically relied on a single production site to manufacture the majority of our products, and any interruption in the operations of our facilities would materially and adversely affect our business, financial condition and results of operations.

We produced internally approximately 68.5%, 89.2%, 69.6% and 61.5% of our products based on cost of goods sold for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. During the Track Record Period, our single production site, the Shenzhen Production Facility, was located in Shenzhen, Guangdong Province, the PRC. Any failure or malfunctioning of our production equipment or machinery may cause delays in the production and delivery of our products. The Shenzhen Production Facility has limited production capacity, which may constrain our ability to increase the number of our retail outlets without additional investment to build new or expand existing facilities. In addition, our facilities are subject to operational risks, including labour shortages or stoppages, natural disasters, inclement weather conditions, disruption of raw materials supplies and mechanical or technical failures. The occurrence of these events or any other factors resulting in an interruption in our production process could lead to delays in our deliveries to customers, cancellation of customer orders, an increase in operating costs and other adverse effects on our business.

We may not be able to adequately protect our intellectual property, which could result in damage to our brands and a material and adverse effect on our business, financial condition and results of operations.

Our trademarks and other intellectual property rights are an important factor in the success of our operations. In addition to our brand names, for which we have registered trademarks, we have submitted patent applications for certain of our product designs. However, we cannot assure you that we will be successful in registering these trademarks, patents and other intellectual property. We rely on the relevant laws in the Greater China Region to protect our intellectual property rights. However, even if we successfully register our intellectual property, there is no assurance that third parties will not infringe them and we may occasionally incur costs to defend our intellectual property. We cannot assure you that we will continue to have the resources to undertake such necessary measures or that such measures will be successful or effective. If we are unable to adequately protect our intellectual property, our brand image, business, financial condition and results of operations may be materially and adversely affected.

In particular, we are not the registered owner in the PRC of the "CASABLANCA 卡撒天嬌" and "CASABLANCA HOME" trademarks used on the majority of our Casablanca brand products because Casablanca is the name of a city in Morocco. According to our PRC legal advisor, Grandall Law Firm (Shenzhen), under PRC laws and regulations, we are not able to register trademarks that represent geographical locations. In addition, should we decide to adjust our brand name or trademark, we may incur significant financial costs associated with rebranding. Although we do not have plans to embark on a rebranding initiative, we cannot assure you that our plans will remain the same in the future. Consequently, our inability to successfully register the "CASABLANCA 卡撒天嬌" and "CASABLANCA HOME" trademarks in the PRC could have a material and adverse effect on our brand image, business, financial condition and results of operations.

Moreover, the registration by other companies of trademarks that are the same or similar to ours in different product categories under the PRC Trademark Classification for Products and Services may have a negative impact on our brand name and reputation. For example, although we have registered the "Casablanca" trademark under product class 24 (fabrics, blankets, towels, bedsheets, mattress covers, duvets, pillow covers and decorative textiles), other companies may apply to register the same or similar trademark under different product classes. Any resemblance or similarity between trademarks, albeit in different product classes, may create confusion among consumers and, consequently, may adversely impact our sales and brand reputation. Please refer to the section headed "Business – Intellectual Property" in this Prospectus.

Any failure to raise sufficient capital for our business operations in a timely manner may materially and adversely affect our business, financial condition and results of operations.

We invest in areas such as design, manufacturing, and marketing using the cash generated from our operations and financing activities. However, we cannot assure you that these sources of funding will continue to adequately meet our business needs, particularly with regard to our growth and expansion plans. We may also require further funding for working capital, investments, potential acquisitions and other corporate actions. If we are unable to secure sufficient external funds when required, we may not be able to fund necessary capital expenditures. In addition, our current and future investments in business projects and expansion of the Company may not generate the cash flows that we expect. The availability of external funding is subject to various factors beyond our control, including governmental approval, prevailing capital markets conditions, credit availability and interest rates. Our inability to arrange additional financing in a timely manner on terms that are satisfactory to us could materially and adversely affect our business, financial condition, results of operations and expansion plans.

Our success depends on our ability to respond to changing consumer preferences.

We operate in an industry that is susceptible to changes in fashion trends and fluctuations in consumer tastes and preferences. Our success depends in part on our ability to anticipate and respond to such changes in a timely manner. Our failure to do so may result in a decrease in sales volume and, consequently, lower revenue and profit margins. In addition, if we are not able to anticipate consumer demand on a timely basis, we may experience inventory shortages or overstock, which may have a negative effect on our operations. Moreover, we cannot assure you that our future products and designs will be as well received by consumers as they have been in the past.

We rely on key management, and the loss of key management could harm our business.

We believe that the expertise and experience of our key management team is a key factor in our success. For example, our chairman and executive Director, Mr. Cheng Sze Kin (鄭斯堅), has over 20 years of experience in the bedding products and textile industries and is responsible for our strategic planning. Our executive Director and vice-chairman, Mr. Cheng

Sze Tsan (鄭斯燦), has over 18 years of experience in the bedding products industry and is focusing on product development and PRC operations. For more information on our management team, including Mr. Cheng Sze Kin (鄭斯堅) and Mr. Cheng Sze Tsan (鄭斯燦), please see the section headed "Directors and Senior Management" in this Prospectus. Our management members possess in-depth knowledge in their respective areas of expertise, have made significant contributions to our business development and are responsible for implementing our business strategies. We depend heavily on our ability to attract, retain and motivate our senior management. The loss of the services provided by the key management team without suitable and timely replacements may lead to disruptions in our operations, loss or detrimental to the ongoing success of our operations.

We may rely on dividends paid by our PRC subsidiaries to fund a portion of our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us may materially and adversely affect our business, financial condition and results of operations.

We may rely on dividends paid by our PRC subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under the PRC laws, rules and regulations, our PRC subsidiaries are required to set aside at least 10% of their after-tax profit, based on the PRC accounting standards, each year to their statutory reserves fund until the accumulative amount of such reserves reaches 50% of their respective registered capital. These statutory reserves are not available for distribution as cash dividends. Therefore, these limitations on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to pay dividends, service our indebtedness or otherwise fund our operations.

Our financial results have been negatively affected by expenses relating to this Global Offering and we expect to incur further such expenses.

We have incurred approximately HK$9.4 million in expenses relating to this Global Offering during the six months ended 30 June 2012. The incurrence of these expenses, primarily consisting of fees paid to professionals, was the primary factor for our decrease in profit by 18.2% to HK$13.3 million for the six months ended 30 June 2012 from HK$16.2 million for the six months ended 30 June 2011. We expect to incur total listing expenses of approximately HK$18.5 million relating to our Global Offering in the combined statement of comprehensive income, of which approximately HK$9.1 million will be incurred for the six months ending 31 December 2012. Such expenses have materially and adversely affected our business, financial condition and results of operations.

The costs of the share options granted under the Pre-IPO Share Option Scheme and the share options to be granted under the Post-IPO Share Option Scheme will materially and adversely affect our business, financial condition and results of operations, and any exercise of such share options granted may result in dilution to our Shareholders.

On 22 October 2012, we adopted the Pre-IPO Share Option Scheme and granted share options to subscribe for an aggregate of 22,320,000 Shares (if fully exercised, representing approximately 10.04% of our total issued share capital after completion of the Global Offering and the Capitalisation Issue assuming the Over-allotment Option is not exercised) under the Pre-IPO Share Option Scheme. No further grants of share options will be made under the Pre-IPO Share Option Scheme. The share options can only be exercised after the Global Offering. In addition, on 22 October 2012, we conditionally adopted the Post-IPO Share Option Scheme. Under the Post-IPO Share Option Scheme, we may issue options to purchase our Shares to our Directors, executives, officers, employees, consultants, suppliers, customers, agents, advisors and related entities who, in the sole opinion of the Board, have contributed or will contribute to the Group to the extent that the total number of Shares that may be issued upon exercise of all options to be granted does not in aggregate exceed 10% of our issued share capital assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised as at the Listing Date. We expect to grant options under our Post-IPO Share Option Scheme and to incur additional share-based payment expenses in future periods with respect to options previously granted under the Pre-IPO Share Option Scheme and to be granted under the Post-IPO Share Option Scheme, which will reduce our net income. In addition, issuances of Shares with respect to awards under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, and other incentive plans which may be adopted in the future, will result in dilution of the percentage ownership of our Shareholders, our earnings per Share and our net asset value per Share.

We may incur additional costs or liquidated damages in the event of product recalls, product liability claims or adverse publicity relating to our products.

Any product recall, whether voluntary or mandated by a regulatory authority, will result in significant costs. Disputes and claims regarding our products could result in delays in payment by our customers or protracted litigation. Even if not fully pursued or ultimately successful, a product recall or the defence of a product liability claim will require significant resources, including financial resources and the time and attention of our management.

In addition, the negative publicity arising from any assertion that our products may be harmful or unfit for their intended use could have a material and adverse effect on our brand image and reputation. For example, the actual or perceived quality of our products may be harmed by unfavourable media reporting, mislabelling, product tampering, failure to detect defects in supplies, or other problems arising during the various stages of the procurement, production, transportation and storage processes. The occurrence of such problems may result in complaints, adverse publicity, product recalls, product liability claims, and fines, penalties or business suspension orders from regulatory or governmental bodies.

Further, we cannot assure you that biological materials used in our products, including cotton, wool, down and silk, will not trigger consumers' allergic reactions or other environmental hazards or epidemics. Also, our products may contain inherent design or manufacturing defects. Such incidents could trigger product recalls or product liability claims.

For the years ended 31 December 2009, 2010 and 2011, we purchased product liability insurance in Hong Kong and Macau, and in 2012, we purchased product liability insurance in Hong Kong, Macau, and the PRC. In 2009, 2010, and 2011, we did not purchase any product liability insurance for our products sold in the PRC or to overseas markets, and we have not yet purchased product liability insurance for our products sold to overseas markets. We cannot assure you that our product liability insurance will be sufficient to cover any product liability claims brought against us, particularly in the overseas markets in which we have not purchased product liability insurance.

Our insurance coverage may be inadequate to protect us against losses.

We carry limited insurance for our business, properties and vehicles in the Greater China Region. In Hong Kong and the PRC, we carry asset insurance, covering our inventory, fixed assets and personal property. We do not have any business interruption or litigation insurance coverage for our operations in the Greater China Region. We carry product liability insurance in Hong Kong, Macau and the PRC, but not for our overseas markets. If any claims for injury are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources.

Our operations are subject to social insurance and housing provident fund contributions under the applicable PRC labour laws and regulations.

In accordance with the national PRC labour laws and regulations, we are required to contribute to a number of employee social insurance schemes such as pension insurance and housing subsidies. We are required to provide social insurance to our employees in accordance with the implementation policies of local governmental authorities. Prior to May 2012, we did not pay the requisite contribution for social insurance for all of our employees. However, since May 2012, we have commenced paying social insurance contributions for all of our employees. According to our PRC legal advisor, Grandall Law Firm (Shenzhen), as a result of our past non-compliance, we may be required to fully settle the amount of unpaid social insurance and a late payment surcharge imposed on a daily basis at a rate of 0.05% of the total unpaid amount. Based on our calculation, the entire unpaid amount is RMB0.75 million, and, as at the Latest Practicable Date, the late payment surcharge is approximately RMB0.25 million. In the event of continued non-payment of the unpaid social insurance incurred prior to May 2012, we may also be subject to a maximum fine equal to three times the total unpaid amount of the social insurance.

Although the Shenzhen Municipal Housing Provident Management Temporary Method (深圳市住房公積金管理暫行辦法) came into effect in December 2010, we did not commence the requisite payments for the housing provident fund until December 2011. According to our

PRC legal advisor, Grandall Law Firm (Shenzhen), we may be subject to a maximum fine of RMB50,000 and we may be ordered by the relevant authority to pay the outstanding housing provident contributions, which we estimate to be approximately RMB0.4 million.

If the PRC Government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which may materially and adversely affect our business, financial condition and results of operations.

We are exposed to credit risks.

During the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we obtained approximately 25.2%, 21.8%, 23.4% and 26.6%, respectively, of our revenue from distributors and other customers. We offer credit terms of up to 90 days to several of our distributors and other customers. Any failure of these customers to make payments, or to pay in a timely manner, could have a material adverse effect on our business, financial condition and results of operations.

In addition, there is a lag period between the sales recorded at self-operated concession counters and our receipt of the revenue. The department stores typically collect all cash revenue from the concession counters and subsequently remit to us on a monthly basis the requisite portion as agreed under the concession agreements (less the concession fees). If any of the department stores enters into bankruptcy or encounters financial difficulties, we may face challenges in obtaining revenue from our sales at concession counters in department stores.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry.

We believe that the bedding products market in which we operate is highly competitive. Our competitors in the bedding products market in the Greater China Region include both domestic and international competitors. Some of these competitors may have better brand recognition, greater financial, marketing, managerial, operational and other resources, better design and production capabilities and a wider sales and distribution network that may allow them to better react to changes in pricing, marketing and consumer preferences. As our competitors expand their operations, through acquisitions or otherwise, we expect competition to intensify. The bedding products market has few non-economic barriers to entry, allowing competition to emerge at any time and in various locations. Increased competition may lead our competitors to substantially increase their advertising expenditures and promotional activities, engage in predatory pricing behaviour or activities designed to undermine our brand name and product quality or influence consumer confidence in our products.

In addition, if our existing or future competitors offer items that are better priced or more appealing to local customer tastes or if a competitor increases the number of retail outlets it operates in one of our key markets, our customers may be diverted. In order to remain competitive, we may be forced to make price reductions or we may suffer a loss of market share, either of which could materially and adversely affect our business, financial condition and results of operations.

We are subject to fluctuations in the price, availability and quality of our raw materials.

Our principal raw materials include fabrics and fill materials. The prices that we pay for our raw materials, such as cotton fabrics, may be highly susceptible to the seasonality of supplies and fluctuations in the prices of commodities used in our supplies. During the Track Record Period, cotton fabrics have accounted for approximately 72.5%, 62.7%, 65.9% and 63.6% of the total cost of raw materials consumed. According to the China Cotton Association, the China Cotton Index 328 increased by approximately 51.3% from an average of RMB12,804 per ton in 2009 to an average of RMB19,373 per ton in 2010 and then further increased by approximately 23.1% to an average of RMB23,843 per ton in 2011, while it decreased by approximately 19.5% to an average of RMB19,195 per ton in the six months ended 30 June 2012.

Fluctuations in the prices and availability of raw materials depend on a variety of factors, such as market supply and demand, weather conditions and consumer consumption patterns on a seasonal basis, some of which are beyond our control. The most significant increase in the annual average price of cotton during the Track Record Period was 51.3% in 2010. Assuming that we experienced an average increase of 51.3% in the price of cotton fabrics during the six months ended 30 June 2012, and that all other factors stayed the same, it would lead to an effective increase of 17.4% in our total cost of goods sold. This would have resulted in a decrease by approximately 11.1% of our gross profit and a reduction of our gross profit margin from approximately 61.0% to 54.3% during this period. The average price of cotton fabrics would have to increase by approximately 461.8% from its actual average price in the six months ended 30 June 2012 to reduce our gross profit in the same period to zero. If we are unable to pass on any increase in the cost of our supplies resulting from increases in raw materials prices to our customers, our business, financial conditions and results of operations may be materially and adversely affected. Please refer to the section headed "Business – Raw Materials Sourcing" in this Prospectus.

Our operating results may fluctuate due to seasonal and other factors.

Our operating results are subject to seasonality. We typically experience significantly higher sales of our bedding products in colder periods and holiday periods, particularly fall and winter and during the Chinese New Year, New Year, Labour Day and National Day holidays as celebrated in the Greater China Region. Sales may also fluctuate during the course of a financial year for a number of other reasons, including the timing of launching new products and advertising and promotional campaigns. As a result, our operating results may fluctuate significantly from period to period and we may record losses in certain periods in a financial year. As such, comparisons of revenue and results of operations across different periods of a given year as an indicator of our performance may not be meaningful.

We rely on a stable supply of labour at reasonable costs and may face difficulty recruiting and maintaining workers and other talent.

We require a stable supply of labour for our production and design processes. Our labour force decreased by approximately 15% from 279 as at 31 December 2010 to 237 as at 31 December 2011. This decrease is representative of a broader trend in the PRC labour market. Labour intensive industries in the PRC, particularly those located in coastal provinces such as Guangdong, have faced increasing difficulty in recruiting and maintaining large numbers of migrant workers for reasons such as (i) greater work opportunities and higher salaries in inland provinces; and (ii) increasing agricultural incomes due to rising food prices. Given the above, there is no guarantee that our supply of labour for production will remain stable. Similarly, we believe the market for design talent is competitive in the PRC and we cannot assure you that we will be able to find new or replacement design professionals who are suitable for our design team. If we fail to retain our existing employees and/or recruit adequate employees in a timely manner, we may not be able to respond effectively to a sudden increase in demand for our products or our expansion plans. If we are unable to design, manufacture and deliver our products on schedule or if we are unable to implement our expansion plans, our business, financial conditions and results of operations could be materially and adversely affected. Moreover, if there is a significant increase in labour costs, our operating costs could increase and our profitability could be materially and adversely affected.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Economic, political and social conditions, as well as government policies in the PRC could have a material and adverse effect on our business, financial condition and results of operations.

A significant portion of our business is conducted in, and are derived from, the PRC. The economy of the PRC differs from the economies of most developed countries in many respects. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, many of these measures have been unprecedented and may be periodically modified, and a substantial portion of productive assets in the PRC is still owned by the PRC government. Moreover, we cannot assure you that the PRC government will continue to take such measures. In addition, the PRC government continues to play a significant role in regulating industries through industrial policies. It also exercises significant control over the PRC's economic growth through allocating resources, controlling certain foreign currency transactions, setting monetary policy and providing preferential treatment to particular industries or companies.

Policies and other measures taken by the PRC government to regulate the economy could have a significant negative impact on economic conditions in the PRC, resulting in a negative impact on our business. For example, our business, financial condition and results of operations may be materially and adversely affected by:

- new laws and regulations and the interpretation and implementation of those laws and regulations;

- the introduction of measures to control inflation or stimulate growth;
- changes in the rate or method of taxation; or
- the imposition of additional restrictions on currency conversions and remittances abroad.

Previous macroeconomic measures taken by the PRC government to manage economic growth could have adverse economic consequences.

The PRC government has taken measures to slow economic growth to a more manageable level, in response to concerns about the PRC's historical high growth rate in industrial production, bank credit, fixed investment and money supply and the potential risk of inflation. Most recently, the PRC government revised its economic forecast for the year 2012 from 8.0% to 7.5% as an indicator of a potential slowdown in economic growth. Since 2011, the PBOC has tightened bank reserve ratios as an anti-inflationary measure. In addition, the PRC government has instituted a series of control measures to address rising housing and property prices, including imposing restrictions on housing purchases and instituting property tax reforms, which have led to a decrease in property sales in the first quarter of 2012 as compared with the first quarter of 2011. However, we cannot assure you that the PRC government's measures will be successful in controlling the risk of inflation, or that restrictive measures already in place will not adversely affect our business.

The PRC legal system has inherent uncertainties that could negatively impact our business.

Our business operations in the PRC are governed by the legal system in the PRC, which is based on the civil law system. Unlike the common law system, prior legal decisions and judgements have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remains uncertain in many areas. Enforcement may also be difficult. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protections available under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention. In addition, any introduction of new laws or amendments to existing laws may have a negative impact on our business.

The new EIT Law may affect tax exemptions on dividends received by us and may increase our enterprise income tax rate.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiaries. Pursuant to the new EIT Law, if any of our overseas members is deemed to be a non-PRC resident enterprise for tax purposes, it will be subject to a withholding tax rate of 10% for any dividends paid by our PRC operating subsidiaries unless it is entitled to certain tax reductions or exemptions. Under the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) effective on 1 January 2007 (the "Tax Arrangement"), the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise; if otherwise, the dividend withholding tax rate is 10%. According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guoshuihan 2009 No. 81) ("Notice 81") promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. According to Notice 81, if the primary purpose of the transactions or arrangements is deemed by the relevant authorities to be entered into for the purpose of enjoying a favourable tax treatment, the favourable tax benefits enjoyed by us pursuant to the Tax Arrangement may be adjusted by the relevant tax authorities in the future.

The new EIT Law provides that if an enterprise incorporated outside the PRC has its "de facto management organisation" within the PRC, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. Most of our members are located in the PRC and, if they remain there, we and our overseas members may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. As a result of these tax provision changes, our historical operating results will not be indicative of our operating results for future period and the value of our Shares may be materially and adversely affected.

The new EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, but due to the short history of the new EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us will meet such qualification requirements even if our overseas members are considered as PRC resident enterprises for tax purposes.

Although the new EIT Law took effect on 1 January 2008, there is still uncertainty about how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC operating subsidiaries to us are subject to the PRC withholding tax, it may have a material and adverse effect on our business, financial condition and results of operations. If our dividend payments to overseas Shareholders are subject to the PRC withholding tax, it may have a material and adverse effect on your investment return and the value of your investment with us.

We are subject to risks of fluctuations in the exchange rate between the Renminbi and Hong Kong dollar.

We conduct a significant portion of our operations in the PRC and our functional currency is the Renminbi. A substantial portion of our revenue and cost of goods sold/services rendered were denominated in Renminbi for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012. However, we also recorded approximately 47.8% to 53.2% of our revenue during the Track Record Period from Hong Kong, and Macau and from overseas.

Changes in the value of the Hong Kong dollar could increase our Renminbi costs for, or reduce our Renminbi revenues from, our foreign operations or affect the prices of our exported products and the prices of our imported raw materials and components. Any increased costs or reduced revenues as a result of fluctuation in the exchange rate between the Renminbi and Hong Kong dollar could adversely affect our profits and margins. Generally, an appreciation of the Renminbi against the Hong Kong dollar could result in a foreign exchange gain for assets denominated in Renminbi and a foreign exchange loss for liabilities denominated in Renminbi. Conversely, a devaluation of the Renminbi against the Hong Kong dollar could result in a foreign exchange loss for assets denominated in Renminbi and a foreign exchange gain for liabilities denominated in Renminbi.

Restrictions on foreign currency exchange may limit our ability to obtain and remit foreign currency or to utilise our revenues effectively.

We currently receive a significant portion of our revenues in Renminbi through our operations in the PRC. However, certain of our expenses, including labour costs for our employees in Hong Kong, rental expenses for our retail stores in Hong Kong and advertising expenses in Hong Kong are denominated in foreign currencies, mostly Hong Kong dollars. As a result, any restriction on currency exchange may limit our ability to use revenues generated in Renminbi to pay our foreign currency denominated expenses and service and repay our foreign currency denominated indebtedness. Our ability to satisfy our foreign currency denominated debt obligations depends upon the ability of our subsidiaries incorporated in the PRC to obtain and remit sufficient foreign currency. Our subsidiaries incorporated in the PRC must present certain documents to the designated foreign exchange bank before they can obtain and remit foreign currency out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE). We cannot assure you that our subsidiaries incorporated in the PRC will not encounter difficulty in the future when undertaking these activities. If our PRC subsidiaries are unable to remit dividends to us, we would be unable to make payments of interest and/or principal on our foreign currency denominated indebtedness. In addition, we cannot assure that the PRC regulatory authority will not impose further restrictions on the convertibility of the Renminbi.

Labour laws in the PRC may adversely affect our results of operations.

The PRC Labour Contract Law (中華人民共和國勞動合同法), which became effective on 1 January 2008, imposes stricter requirements on employers in relation to fixed-term employment contracts, hiring of temporary staff and dismissal of employees. The law requires the terms of the employment contract to be placed in writing within one month of the commencement of the employment. This makes it more difficult for companies to hire temporary workers. Under the new law, the employer must make a statutory severance payment to its employee upon termination of an employment contract in most cases, including cases of expiration of a fixed-term employment contract. Also, there is a new requirement for every employer to contribute to social insurance and housing funds on behalf of its employees.

The Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例) became effective on 1 January 2008. It provides that employees who have worked continuously for more than a year may be entitled to a paid vacation ranging from five to 15 days, depending on the length of their employment period with their employers. At the request of an employer, the employee may waive such vacation but the employee must be compensated an amount equivalent to three times their normal daily salary for each vacation day being waived.

The PRC Labour Contract Law (中華人民共和國勞動合同法) and regulations thereunder may lead to an increase in labour costs. We cannot assure you that disputes, work stoppages or strikes will not arise in the future. Future disputes with our employees could materially and adversely affect our business, financial condition and results of operations.

We may face PRC regulatory risks relating to our Share Option Schemes.

On 15 February 2012, SAFE issued the Notice of SAFE on Issues relating to Foreign Exchange Administration for Domestic Individuals Participation in Equity Incentive Plans of Overseas-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "Notice"). Pursuant to this Notice, domestic individuals, whether Chinese citizens (including citizens of Hong Kong, Macau and Taiwan) or foreign individuals (excluding foreign diplomatic personnel in the PRC and representatives of international organisations in the PRC) who have lived in the PRC continuously for more than one year, who are the directors, supervisors, senior management or other employees of overseas listed companies registered in the PRC, or domestic branches (or representative offices) of overseas listed companies, or parent companies, subsidiary companies, partnerships or other domestic institutions that directly or indirectly control or are controlled by overseas listed companies (collectively, the "domestic companies"), if they participate in equity incentive plans of the same overseas listed companies, shall through the domestic companies they serve, collectively entrust a domestic agency to handle issues like foreign exchange registration, account opening, funds transfer and exchange, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of related stocks or equity, and funds transfer. SAFE and its branches may take regulatory measures and impose administrative sanctions on individuals, domestic companies, domestic agencies and banks that violate the provisions of this Notice. We may face regulatory risks relating to our Share Option Schemes if we grant share options to PRC citizens in the future.

It may be difficult to effect service of process upon us or certain members of our senior management or to enforce any judgements obtained from non-PRC courts.

Some of our senior management reside in the PRC, and a significant portion of our assets and the assets of certain members of our senior management are located within the PRC. Therefore, it may be difficult for you and other investors to effect service of process upon us or those persons in the PRC or to enforce against us or them in mainland China any judgements obtained from non-PRC courts.

The legal framework to which our operating subsidiaries in the PRC are subject is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority Shareholders. Although in 2005, The PRC Company Law (中華人民共和國公司法) was amended to allow shareholders to commence an action against the directors, officers or any third party on behalf of a company under certain limited circumstances, the mechanisms for enforcement of rights under the corporate governance framework to which our operating subsidiaries in the PRC are subject is still relatively underdeveloped and untested.

While we will be subject to the Listing Rules, the Takeovers Code and other related laws, rules and regulations upon the listing of the Shares on the Stock Exchange, the holders of the Shares will not be able to bring actions on the basis of any violations of the Listing Rules and must rely on the Stock Exchange or other relevant authorities to enforce such rules. The Takeovers Code does not have the force of law and only provides standards of acceptable commercial conduct for takeover and merger transactions and share repurchases in Hong Kong.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"). Under the Arrangement, where any designated People's Court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgement after due compliance with relevant procedures. The Arrangement has been promulgated by the Supreme People's Court of the PRC and came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the Arrangement is still uncertain.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with countries such as the United States, the United Kingdom and Japan, and therefore enforcement in the PRC of judgements of a court in these jurisdictions may be difficult or impractical. Although the PRC may enter into reciprocal treaties with such countries in the future, the recognition and enforcement of any judgements from overseas jurisdictions in the PRC may result in a lengthy and complicated process.

The PRC's regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries and limit the use of such funds, which could materially and adversely affect our liquidity and our ability to fund our operations or expand our business.

We may fund our onshore operations in the PRC through additional investments, in the form of capital contributions, to our PRC subsidiaries or through loans to our PRC subsidiaries. According to the relevant PRC regulations on foreign invested enterprises in the PRC, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged, capital contributions to foreign invested enterprises are subject to approval by the Ministry of Commerce of the People's Republic of China or its local branches. Any loans to our PRC subsidiaries requires registration with SAFE or its local branches. We may be unable to obtain these registrations or government approvals on a timely basis with respect to future loans or capital contributions by us to PRC operating subsidiaries. If we are unable to obtain these government registrations and approvals on a timely basis with respect to the capital contributions or loans by us to PRC operating subsidiaries, our ability to capitalise our PRC operating subsidiaries may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Furthermore, under the Circular on the Relevant Operating Issues Concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) or Circular No. 142, promulgated by SAFE on 29 August 2008, Renminbi converted from foreign exchange capital contributions can only be used for activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment unless otherwise approved by SAFE or its local counterparts. As a result, any of our PRC subsidiaries that are foreign-invested enterprises may not be able to use the foreign exchange capital contributed by us for equity investment or acquisitions in the PRC.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile.

Prior to this Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be determined by negotiations between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after this Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that this Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile.

We cannot assure you that Shareholders will be able to sell their Shares or achieve their desired price. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under this Global Offering. Factors that may affect the volume and price at which our Shares will be traded, some of which are beyond our control include, among other things, variations in our revenue, earnings and cash flow, changes in the environment (including political, regulatory or economic), our key personnel or senior management and involvement in litigation. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange, including those with significant operations and assets in the PRC, have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance. For instance, during the global financial crisis that unfolded in 2008, the stock markets witnessed drastic price drops with heavy unprecedented selling pressure for almost all listed companies including listed companies with significant operations and assets in the PRC.

As the Offer Price is higher than the net tangible asset value per Share, you will experience immediate dilution in the value of the Shares purchased by you. You may also experience dilution if we issue additional Shares in the future.

Investors will pay a price per Share that exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when investors purchase the Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing in the Global Offering would receive less than the amount they paid for their Shares. Please refer to "Appendix II – Unaudited Pro Forma Financial Information" to this Prospectus.

We may issue additional Shares in the future. Investors purchasing in the Global Offering may experience dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price lower than the net tangible asset value per Share at that time.

Substantial future sales or perceived sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of our Shares in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline. Upon completion of this Global Offering, we will have 200,000,000 Shares outstanding, or 249,820,000 Shares outstanding if the Underwriters exercise their Over-allotment Option and if the share options granted or to be granted under Share Option Schemes are exercised in full. Some holders of our Shares, including our Controlling Shareholders, will be able to sell their Shares upon the expiration of certain lock-up periods. Please see the section headed "Underwriting" in this Prospectus. We cannot predict what effect, if any, market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale will have on the market price of our Shares. We also cannot assure that any of our Controlling Shareholders, upon the expiration of the lock-up undertakings, will not dispose of any Shares they now own or may own in the future.

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the bedding products industry in this Prospectus are derived from various government and official resources and other publications and may not be reliable.

Facts, forecasts and other statistics in this Prospectus relating to the economy and the bedding products and textile industries internationally, regionally or in the PRC or other regions in the PRC have been collected from official government sources or other industry sources such as Euromonitor. We cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we nor any of our respective affiliates or advisors, nor the Sole Sponsor, the Underwriters or any of their affiliates or advisors, have prepared or independently verified the accuracy or completeness of such information. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources or other industry sources used in this Prospectus may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies among published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources or other industry sources might be inaccurate or might not be comparable to statistics produced from other sources. In all cases, you should carefully consider how much weight or importance you should attach or place on such statistics, industry data and other information relating to the economy and the industry.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of other jurisdictions.

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that of English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of Hong Kong or other jurisdictions. Please refer to “Appendix IV – Summary of the Constitution of the Company and Cayman Companies Law” to this Prospectus.